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SIPDIS

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FROM AGRICULTURAL ATTACHE LAGOS

TOFAS 009

E.O. 12958, N/A

TAGS: [EAGR](#) [NI](#)

SUBJECT: Privatized Sugar Sector Assumes Production

[11.](#) Summary. Nigeria is expected to resume sugar production this year with a modest 40,000 tons after four consecutive years of depending exclusively on imports. Savannah Sugar Company, privatized in 2003, is expected to resume milling operations in May 2006 under a new management. Nigeria's sugar consumption is increasing steadily in step with growth in population and industries utilizing sugar as raw material. At present, the bulk of Nigeria's sugar requirement is imported raw and refined locally. Brazil is the dominant supplier of brown and refined sugar to Nigeria. End summary

[12.](#) Prior to 2003, Nigeria had only four government-owned and government-operated sugar companies. Savannah, Bacita, Sunti and Lafiaji. Due to the large capital investments required, private sector investment was limited to a few mid-sized cane farmers, small mini plants and out-growers for the estates. Nigeria's sugarcane production was almost entirely dependent upon these poorly managed government-owned and operated companies. The companies manually had a combined installed processing capacity of about 400,000 tons of refined sugar annually, but had not at any point produced more than 20,000 tons of sugar per year.

[13.](#) In 2003, the long awaited privatization of government-owned sugar estates commenced with the public sale of Savannah Sugar Company, Nigeria's largest sugar estate. According to the GON, privatization of these estates is key to revamping the sugar industry and increasing local production. Dangote group, with a long history in sugar imports and the owner of the only sugar refinery in the country, emerged as the preferred bidder.

[14.](#) The management of the estate was formally handed over to Dangote industries in late March 2003. In what appears to be a major success story for privatization, Dangote Group has completely rehabilitated the cane fields and the mill. Field visits by the Agricultural Affairs Office to the facility in Numan, Adamawa State, revealed that the estate has been completely revamped. Currently, the company has 3,000 hectares of cane fields at varying stages of maturity. Harvesting and milling operations are expected to commence in May 2006. Savannah (Dangote Group) Sugar Company has a total of 32,000 hectares of land available with excellent irrigation facility and plans to expand very quickly to use all the land.

[15.](#) Also, the company in partnership with the National Sugar Development Council is developing a robust out-grower scheme to provide economic support to the local community around the estate. The first phase of the out-grower scheme will involve 400 farmers with average farm size of two hectares. Under the scheme, Savannah Sugar will prepare the land, provide irrigation, seed cane and other inputs on a cost recovery basis. The other estates in Bacita and Sunti are at varying stages of rehabilitation under new managements and could resume milling operations in 2007. Privatization has undoubtedly improved the management of these estates and stimulated new investments in the industry.

[16.](#) For the last four consecutive years, Nigeria depended almost exclusively on imports to satisfy growing demand, estimated at 1.3 million tons. Growth trends in population and in industrial activity utilizing sugar as input, suggest that demand for sugar will rise. Industrial usage accounts for almost 35 percent of the total sugar consumption in Nigeria. Soft drink production alone accounts for about half of total industrial usage. The bulk of Nigeria's sugar requirement (about 80 percent) is imported raw and refined locally. Dangote is the owner of the only operational sugar refinery in Nigeria. Another investor is expected to commission the second refinery in late 2006. Brazil is the dominant supplier of brown and refined sugar to Nigeria.

17. The GON requires all sugar for household consumption be fortified with vitamin A. At present, Dangote refinery is the only supplier of fortified sugar in Nigeria. Importation of non-fortified sugar is allowed but only for industrial use.

Browne